

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 EB-07 PM-03 L-02 INR-07 PRS-01 SAM-01

SS-15 SP-02 /049 W

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O 220644Z FEB 75

FM AMEMBASSY SINGAPORE

TO AMEMBASSY JAKARTA NIACT IMMEDIATE

INFO SECSTATE WASHDC 2035

C O N F I D E N T I A L SINGAPORE 0729

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS: ENRG, EFIN, ID

SUBJ: PERTAMINA - FINANCIAL DIFFICULTIES

1. SUMMARY: PERTAMINA, REPORTEDLY HAVING SERIOUS LIQUIDITY PROBLEMS, IS ALREADY 5 DAYS LATE ON LARGE LOAN SYNDICATED BY OVER 10 BANKS LED BY REPUBLIC NATIONAL BANK OF DALLAS (RNBD). RNBD'S VICE PRESIDENT AND REGIONAL REPRESENTATIVE ROBERT HURLEY REQUESTS MEETING WITH AMBASSADOR NEWSOM TO BRIEF AND DISCUSS SITUATION ON MONDAY AFTERNOON. END SUMMARY.

2. PERTAMINA IS 5 DAYS LATE IN REPAYING \$40 MILLION LOAN TO CONSORTIUM OF MORE THAN 10 BANKS LED BY REPUBLIC NATIONAL BANK OF DALLAS (RNBD). RNBD REP HERE CONFIRMS THAT SYNDICATED LOAN DUE FEB 17 NOT YET REPAID AND ANOTHER FALLS DUE FEB 24. HE WOULD APPRECIATE APPOINTMENT WITH AMBASSADOR NEWSOM, MONDAY AT 2 PM OR 3 PM, IF POSSIBLE, TO BRIEF HIM AND DISCUSS SITUATION.

3. PERTAMINA REPORTEDLY CONSIDERING AT LEAST 2 ALTERNATIVES TO ROLL OVER AN UNSPECIFIED NUMBER OF 180-DAY LOANS SUCH AS THIS ONE. (A) SEEKING FINANCIAL ASSISTANCE FROM UNSPECIFIED ARAB COUNTRIES IN ORDER TO AVOID SELLING OIL BELOW OPEC PRICE LEVELS, OR (B) CONSIDERING SALE OF CRUDE OIL TO UNION OIL OF CALIFORNIA, PERHAPS BELOW OPEC PRICES. OTHER POSSIBILITIES: (C) BANK INDONESIA REPORTEDLY WILLING TO BAIL OUT PERTAMINA BUT WANTS GENERAL SUTOWO TO ASK, AND (D) CONFIDENTIAL

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LEHMAN BROTHERS OF NEW YORK IS CONSIDERING UNDERWRITING BOND ISSUE

WHICH HAS LONG BEEN SOUGHT BY PERTAMINA AND WILL LEAD GROUP OF BANKS TO JAKARTA FOR WEEK-LONG BRIEFING PROGRAM TO BEGIN TUESDAY, FEB. 25 WITH CALL ON IBNU SUTOWO. VISIT WILL INCLUDE FIELD TRIPS, FINANCIAL BRIEFING, ETC.

4. US AND SINGAPOREAN BANKERS HAVE TALKED GENERALLY FOR SOME TIME ABOUT PERTAMINA'S PRECARIOUS FINANCIAL SITUATION; HOWEVER, MANY INCLUDING RNBD CONSIDER IT A PRIME COMPANY IN TEMPORARY ILLIQUID POSITION THAT COULD HAVE DISASTROUS CONSEQUENCES. INDONESIA'S OIL GIANT IS CAUGHT IN CLASSIC CASE OF BORROWING SHORT TERM TO COVER MEDIUM TERM OBLIGATIONS. LATELY, DIFFICULTY SEEMS TO BE IN ROLLING OVER 180-DAY LOANS THEY HAVE SOUGHT TO TIDE OVER BASIC LIQUIDITY PROBLEM.

SINCE BANKS TAKING MORE CONSERVATIVE LINE, ROLL-OVERS NOT ALWAYS IMMEDIATELY APPROVED.

5. ACTION REQUESTED: PLEASE ADVISE IF AMBASSADOR NEWSOM CAN MEET WITH RNBD'S VICE PRESIDENT ROBERT HURLEY ON FEB 24 AT 2 OR 3 PM. HURLEY PLANS TO FLY TO JAKARTA MONDAY MORNING; APPRECIATE RESPONSE PRIOR TO 10 AM SINGAPORE TIME MONDAY.

6. WE WOULD ALSO APPRECIATE EMBASSY JAKARTA'S COMMENT ON THESE REPORTS AND OTHER PERTINENT INFORMATION. CRONK

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